



State Finances are a Mess

Source: *The Kiplinger Letter*

Most state finances are a mess and will get worse in the new fiscal year despite some rising revenue.

One major reason is Uncle Sam is closing his wallet. Starting in fiscal 2012, Washington will give states less than \$3 billion in stimulus funding. Last year states were given \$61 billion, which dropped to \$51 billion in the current year.

The result will be even deeper cuts and/or higher taxes. In addition, watch for state and federal courts to give states new headaches as they overturn earlier funding cuts. ■

True Spa Gems Along Alabama's Robert Trent Jones Spa Trail

By Erika Allen, *Spa Finder*

Tucked away on the Mobile Bay of Alabama are several world-class hotel and resort spas just waiting to deliver supreme relaxation to locals and tourists alike.

The Marriott and Renaissance properties in Point Clear, Mobile, Montgomery, Hoover and Florence, Alabama, are renowned for their quality and value. Two of these properties—The Grand Hotel Marriott Resort, Golf Club & Spa in Point Clear, and The Marriott Shoals Hotel & Spa in Florence—rank in the top 10 for Marriott and JW Marriott guest satisfaction around the world. The highly ranked Grand and Shoals Hotels are two of five Four-Diamond-rated Marriott and Renaissance Hotels along the Robert Trent Jones Spa Trail.

The Robert Trent Jones Spa Trail is a carefully curated group of properties with superior spa facilities. The RTJ Trails concept originated with a golf theme, including 26 luxurious golf courses and year-round play. The Trail's success has thankfully inspired the Spa Trail, which collectively totals 57,000 square feet of spa space.

On a recent trip to Mobile, I was able to visit two of the fantastic spas included on the Trail; the Spa at The Grand, and the

The Past and the Future

By David G. Bronner

In last month's *Advisor*, I tried to make it crystal clear that the RSA has come a long way from a pension fund of \$500 million to almost \$28 billion and 25 percent funded (having \$1 for every \$4 owed) to being about 75 percent funded (having \$3 for every \$4 owed).

We all recognize that bad news makes page one of the newspapers, and more often than not, good news makes the obits page. The first decade of this century has been difficult to say the least. Never before in our lives have we gotten so close to the Great Depression of the 1930s. Nor have we witnessed a pillar in our way of life, housing, decline in value while unemployment remains high and is slow to recover.

The average return for large pension funds for the last 20 years has been 8.25%. There is not a huge difference from the top 5% gaining 9.07% and the bottom 5% gaining 7.52%. The span of about 1.5% from top to bottom is because the funds have almost the same investments with only 10-15% of assets being different. The TRS has gained 8.08% and ERS 7.9% during these 20 years.

The RSA is playing a critical role in the advancement of Alabama. RSA's leadership in tourism alone has brought this Alabama industry from \$1.8 billion to \$9.8 billion a year. That is an \$8 billion increase per year plus thousands of jobs for Alabamians.

While a few Alabama investments have been criticized by some individuals that have difficulty understanding the bigger picture, our investment horizons are much longer. With the resources that Alabama has to offer, there is no reason not to believe that in the long term we will equal or exceed the returns of anywhere in the world.

Our philosophy at the RSA is simple: "The stronger we can make Alabama, the stronger the RSA will be to meet all of its financial obligations." By investing in ourselves, the RSA is doing just that for all of Alabama. ■

Continued on page 2

Spa at the Battle House, both of which greatly exceeded expectations. Located in one of many buildings on a sprawling waterfront resort, The Grand's full-service salon and spa is a peaceful and relaxing hideaway where you'll quickly forget about anything happening outside of the relaxation and treatment rooms. A variety of treatments are available using Skin Authority, B. Kamis, Decleor, Darphin, and Isle of Luxe products. A spa highlight: the Ashiatsu massage. An Asian technique that includes the use of the therapist's bare feet, this modality is both exotic and effective, and gives a deep touch that breaks up knots and stretches muscles to relaxation.

At the Spa at The Battle House, comfort is king. In a modern wing of the restored Battle House, a large, luxury hotel chock-full of history and referred to as "Mobile's living room," lives a spa and salon where visitors can indulge in a bevy of sumptuous

services. Using Eminence organic products, the spa's treatments range from Fire and Ice facials, to prenatal massage, to custom barber services like hot lather shaves and beard trims. There is truly something for everyone!

For just \$40 spa enthusiasts can purchase the annual RTJ Spa Trail Card, which grants them discounts on spa services, hotel rooms, dining and retail shopping. The card will also earn you a complimentary glass of wine, extended use of spa facilities and free makeup touchups! "Guests who experience spa treatments at each of the RTJ Spa Trail's five locations will earn a free treatment at their choice of any of the spas," Steve Solberg, president and CEO of PCH Hotels and Resorts, says. Talk about VIP treatment! Cards can be purchased at spa locations....To learn more about the Alabama RTJ Spa Trail visit www.rtgolf.com. ■

Health Insurance Changes

The Alabama Legislature enacted Act 2011-704 for the Public Education Employees' Health Insurance Plan (PEEHIP) and Act 2011-698 for the State Employees' Health Insurance Plan (SEIB). The new legislation will slowly but significantly raise health care premiums for education and state employees who retire on or after January 1, 2012. Anyone wanting to retire before the effective date of the new laws must file all retirement paperwork with the RSA between September 1 and November 1, 2011, for a December 1, 2011, retirement date.

Members need to really think about not making their retirement decision solely on this new law because there are advantages to working longer. Working an extra five years carries three advantages:

First, those years will give you about 10 percent more in retirement income for the rest of your life and more for the life of your designated dependent.

Second, it will allow you to receive the full monthly health care allotment from the state, and upon retirement at age 65, you can pick up virtually all the cost of your health care coverage through a combined Medicare and PEEHIP or SEIB coverage.

Third, if you have at least 25 or more years of service, you will receive a 2% bonus for every year over 25 years.

PEEHIP members should visit the RSA Web site at www.rsa-al.gov or call 877.517.0020, and SEIB members should visit www.alseib.org or call 866.836.9737 for more information. ■

AN EXAMPLE

Under the new laws effective January 1, 2012, for those who retire before 65 or without 25 years of service the additional cost for PEEHIP or SEIB can be roughly calculated as follows:

- For each year you are below 65, you will pay 1% more of the PEEHIP or SEIB premium.
- For each year of service below 25 years, you will pay 4% more of the PEEHIP or SEIB premium.

Here's an example for a person retiring at 60 with 20 years of service:

- Retiring 60-year-old penalized 1% per year = 5% additional cost for PEEHIP or SEIB coverage
- Retiring with 20 years of service penalized 4% per year = 20% additional cost for PEEHIP or SEIB coverage
- 5% + 20% = 25% more paid by member for PEEHIP or SEIB coverage

Editorial: Mobile Press-Register

DO WE really want to inject politics into the Retirement Systems of Alabama?

Common sense says no, despite bills by some legislative leaders to introduce so-called greater accountability into the fund's operation.

Two bills that were unsuccessful in the recent session, HB524 and HB525, would have drastically changed the makeup of RSA's two Boards of Control — one for retired teachers and one for retired state employees. Generally, the bills would have required more board members to be appointed by the governor and other politicians, and fewer members to be elected by the retirees.

But making politicians responsible for the boards overseeing the \$27.8 billion pension funds could generate great potential for misbehavior — namely, campaign contributions and influence-buying. Imagine how many entities would salivate at the thought of the funds' cache — and what they might do to gain access to it.

Considering the federal gambling/bribery trial now going on, you'd think tying politics to big money would be the last thing on lawmakers' agendas.

Still, if you squint hard enough, you can see a bit of the reasoning behind the bills. In order to inject a measure of accountability into any board, commission, etc., it's plausible to involve elected officials, because they are, by definition, account-

able to the people. Presumably, they could answer for RSA's performance.

But the question is: Would we really want them to?

Currently, the Boards of Control see to it that RSA executives and staff follow the letter of the law as they guide investments. But the day-to-day management of the funds is left up to the experts who are hired to do the job — experts like Chairman and Chief Executive Officer David Bronner.

It's not clear why the issue came up this year.

Our answer to the speculation, though, is this: Some lawmakers may not get along with the colorful and opinionated Dr. Bronner. But this should have no bearing on how the fund is governed. Neither should legislators' squabbles with other power brokers in Alabama, such as the Alabama Education Association's Paul Hubbert, who is an ex-officio member and chairman of the retired teachers' fund.

The bottom line should be independence for the RSA, and so far, that approach appears to be working.

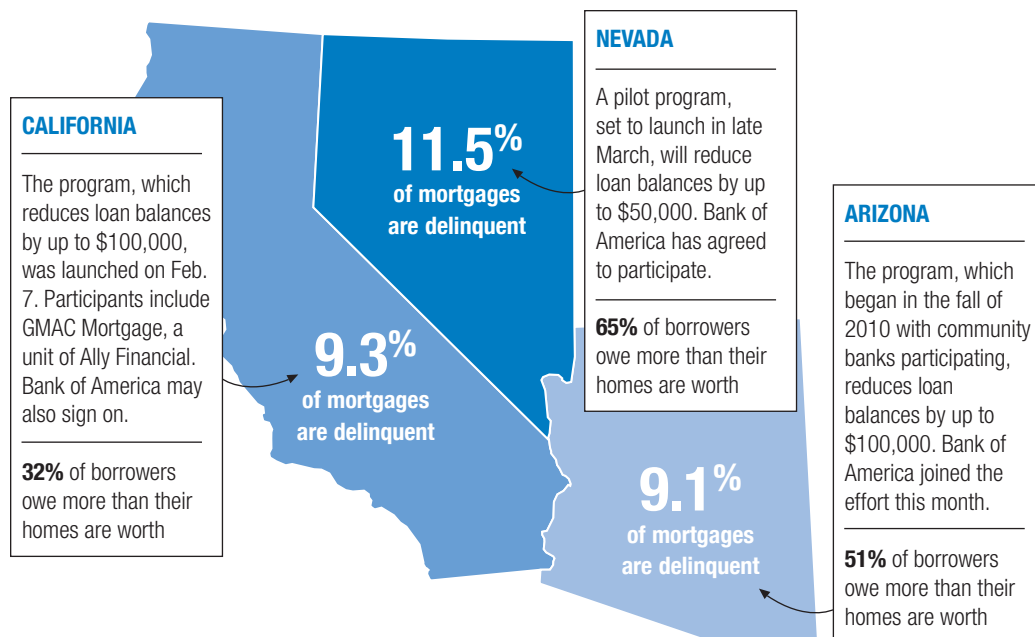
Neither of the bills came close to gaining approval. And they shouldn't have.

Alabama has big problems that need addressing — economic woes, budget shortfalls, mediocre schools, tax reform and prison overcrowding, to name a few. Giving politicians more control over the state pension funds solves none of them. ■



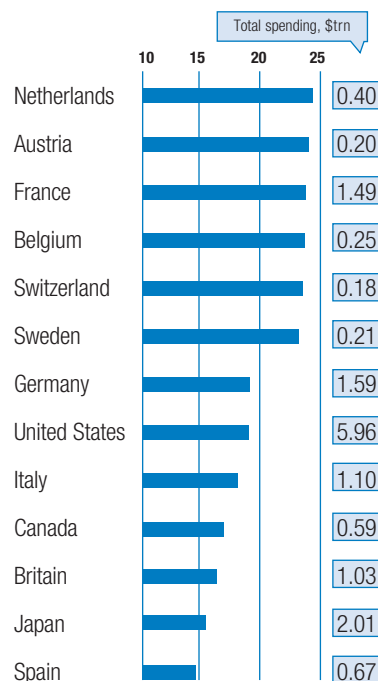
IT'S THE PRINCIPAL

Three states are experimenting with helping distressed homeowners by reducing the principal, instead of lowering interest rates or lengthening repayment periods on mortgages. Owners can apply if they have low to moderate incomes but may be excluded if they have withdrawn equity from their homes in a refinancing.



HEY, BIG SPENDERS

Government spending per person, 2009, \$'000



SOURCE: IMF

ENJOY YOUR SUMMER/FALL
A Special Deal
FOR RSA MEMBERS

**The Battle House,
A Renaissance Hotel – Mobile – \$99**

• August 7-15, 19-24 • September 1-8, 13-18, 24-26
• October 1-4, 12-16, 25-31

**The Renaissance Riverview Plaza –
Mobile – \$89**

• August 7-15, 19-24 • September 1-8, 13-18, 24-26
• October 10-12, 26, 29-31

Marriott Grand – \$99 plus a 15% resort fee

• August 10-11, 14-18, 21-25 • September 1, 5-10, 20-27
• October 2-6, 9-11, 19-21, 29-31

Marriott Grand – RSA Golf Package – \$169

Ask for code – LOCD

Includes: Deluxe Room, One Round of Golf for Two People.
Call for Tee Times after booking package

• August 10-11, 14-18, 21-25 • September 1, 5-10, 20-27
• October 2-6, 9-11, 19-21, 29-31

Marriott Shoals – Florence – \$89

• August 1-3, 7-9, 30 • September 5-6, 11-13, 18
• October 9, 30

Renaissance Ross Bridge – Hoover – \$99

• August 1-4, 7-11, 14-18, 21-25, 28-31
• September 1, 5-11, 15, 21-22, 25-28
• October 2-6, 16-18, 23-24, 27, 30-31

Opelika Marriott – \$89

• August 1-2, 7-8, 12-14, 18, 21, 26-31
• September 1, 4-6, 8, 11, 14-21, 25-30
• October 5-10, 20-22, 26-27, 30

Prattville Marriott – \$89

• August 1, 6-11, 13-14, 19-24
• September 2-5, 19-21, 27, 29-30
• October 1-2, 9-11, 15, 28-31

Renaissance Montgomery – \$99

• August 1-4, 11, 14, 18, 21
• September 1-5, 18, 22-25, 27-29
• October 1, 21-22, 30-31

RSA Spa Package – \$159

Ask for code – LOCD Includes Deluxe Room

• August 2-4, 11, 18 • September 1, 22, 27-29
• October No dates available

*Rates available the 1st of the month
and are not applicable to groups.*

Code: RABM, 800-228-9290

Internet promo code: R2A on marriott.com

Book Online and Save RSA \$4.

Tax-Friendly States for Retirees

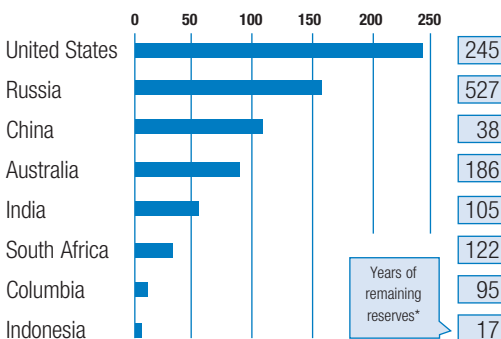
By Henry Unger, *Atlanta Journal*

According to Kiplinger's *Personal Finance Magazine*, Alabama is fifth on a new list of the most tax-friendly states for retirees. Alabama exempts most retirement income from state taxes.

The best state was Wyoming, while the three worst were Vermont, Minnesota and Nebraska.

BAGS OF COAL

Selected countries' coal reserves, end 2009
Tonnes, bn



SOURCE: BP

*AT 2009 PRODUCTION RATE

WANT TO HELP?

A FREE Car Tag



Tired of that worn-out dealer tag on the front of your car? Would you like to help the RSA and our Alabama Tourist Department advertise "Alabama's Robert Trent Jones Golf Trail" on your front bumper? If so, call to request a tag at 334.517.7000, or 877.517.0020, or write:

Tag

P.O. Box 302150 | Montgomery, AL 36130-2150



CEO

David G. Bronner

Deputy

Marcus H. Reynolds, Jr.

Executives

Communications

Michael E. Pegues

Chief Accountant & Financial Officer

Diane E. Scott

Employees' and Judicial Retirement

William F. Kelley, Jr.

Field Services

Judy P. Utley

Information Technology Services

Michael T. Baker

Investments

R. Marc Green

Legal Counsel

William T. Stephens

Legislative Counsel

Lindy J. Beale

Member Services

Penny K. Wilson

PEEHIP

Lee M. Hayes

Teachers' Retirement

Christopher P. Townes

The Retirement Systems of Alabama

201 South Union Street

P.O. Box 302150

Montgomery, Alabama 36130-2150

Phone: 334.517.7000

877.517.0020

RSA Web site

www.rsa-al.gov

RETIREMENT SYSTEMS OF ALABAMA
201 SOUTH UNION STREET
P.O. BOX 302150
MONTGOMERY, ALABAMA 36130-2150

PRST STD
U.S. POSTAGE
PAID
MONTGOMERY, AL
PERMIT NO. 402

If You Are Eligible For Retirement Before January 2012, Be Sure To Know The Financial Impact Of The Health Insurance Increases!